

## Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 STR-04 COME-00 TRSE-00

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FM SECSTATE WASHDC

TO AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EAGR, ERTD

SUBJECT: US MEAT IMPORT PROGRAM FOR 1976

REF: STATE 303837

1. SUMMARY. ON MARCH 1, US OUTLINED TO NEW ZEALAND EMBASSY REP MAIN ELEMENTS OF ITS PROPOSAL FOR A 1976 VOLUNTARY RESTRAINT AGREEMENT FOR MEAT IMPORTS. US SAID IT SAW RESTRAINT LEVEL OF 256.7 MILLION POUNDS FOR NEW ZEALAND AND EXPLAINED REASONS FOR SHIFTING FROM CENSUS TO CUSTOMS IMPORT DATA FOR ADMINISTERING 1976 PROGRAM. US ALSO INFORMED NEW ZEALAND THAT PROVISION FOR REALLOCATION OF EXPORT SHORTFALLS ON REGIONAL BASIS AMONG LATIN AMERICAN PARTICIPANTS WAS TO BE ESSENTIAL FEATURE OF 1976 AGREEMENT. NEW ZEALAND REP OBJECTED TO WHAT HE SAW AS ADVANTAGEOUS TREATMENT OF LA SUPPLIERS. HE PROMISED TO CONVEY US POSITION AND REPORT NEW ZEALAND REACTION ASAP. END SUMMARY.

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2 EB DEPUTY ASSISTANT SECRETARY KATZ, ALONG WITH USDA REPS,

MET MARCH 1 WITH NEW ZEALAND EMBASSY COMMERCIAL MINISTER HOLDEN TO OUTLINE MAIN ELEMENTS OF US PROPOSAL FOR BILATERAL VOLUNTARY RESTRAINT AGREEMENT (VRA) ON MEAT EXPORTS TO US MARKET FOR 1976. DISCUSSION FOLLOWED PRELIMINARY MEETINGS HELD EARLIER.

3. KATZ OPENED BY NOTING US FREEDOM OF ACTION WAS PARTICULARLY CONSTRAINED THIS YEAR BY REQUIREMENTS OF MEAT ACT, OTHER POLICY CONSIDERATIONS, AND MARKET CONDITIONS. WITH IMPORT QUOTA TRIGGER LEVEL OF 1233 MILLION LBS. (AS DEFINED BY TERMS OF MEAT ACT) AS BASE AND SETTING ASIDE CONTINGENCY CUSHION OF 13 MILLION LBS AND 71.1 MILLION LBS FOR UK, CANADA AND BELIZE, WHO WERE UNWILLING TO CONCLUDE A VRA, QUANTITY AVAILABLE FOR IMPORTS FROM NEW ZEALAND WOULD BE 256.7 MILLION POUNDS DETERMINED ON SAME BASES AS IN 1975. (FULL BREAKDOWN OF PROGRAM ALLOCATIONS BY COUNTRY SENT SEPTTEL.)

4. KATZ EXPLAINED THAT US PROPOSED TWO CHANGES FROM 1975 AGREEMENT:

A. US WOULD USE ONLY CUSTOMS DATA IN ADMINISTERING 1976 PROGRAM. WE HAVE CHOSEN CUSTOMS RATHER THAN CONTINUE USE OF DATA FROM CENSUS, BECAUSE THEY CAN BE REPORTED ON A WEEKLY BASIS TO ASSIST IN CLOSELY MONITORING IMPORTS; CENSUS DATA ARE AVAILABLE MONTHLY.

B. US PROPOSES TO ADOPT A REGIONAL APPROACH TO ALLOCATION OF SHORTFALLS IN EXPORT ENTITLEMENTS UNDER WHICH ANY SHORTFALLS OCCURRING AMONG NINE LATIN AMERICAN PARTICIPANTS WOULD BE AVAILABLE FIRST WITHIN THAT GROUP SO LONG AS ANY MEMBER COULD SUPPLY ADDITIONAL MEAT. THIS PROVISION IS INTENDED TO ACCOMMODATE SPECIAL NEEDS OF LATIN EXPORTERS.

5. IN RESPONDING, HOLDEN FIRST CONFIRMED THAT 1976 ALLOCATIONS AGAIN REFLECTED ADVANTAGEOUS TREATMENT GIVEN CENTRAL AMERICAN SUPPLIERS IN 1975 AND THAT US PROPOSAL FOR 1976 SHORTFALL REALLOCATION WOULD INCLUDE ALL LATIN AMERICAN VRA PARTICIPANTS, PARTICULARLY MEXICO (WHICH HAD HAD LARGE SHORTFALL IN 1975). HOLDEN OBJECTED TO LIMITED OFFICIAL USE

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THIS APPROACH BUT SAID HE WOULD PASS IT ON TO GNZ. MORE GENERALLY, HOLDEN ARGUED THAT SHARP REDUCTION IN US COW HERD IN 1975 AND RISING DEMAND FOR BEEF IN 1976 INDICATED TREND THAT ARGUED AGAINST MEAT RESTRAINTS, UNLESS CONTINUED DROUGHT CONDITIONS IN WESTERN US FORCED FURTHER HERD LIQUIDATION. USDA REPS AGREED WITH HOLDEN ON CURRENT CONDITIONS, BUT POINTED OUT THAT US MEAT INDUSTRY STILL IS FACING ECONOMIC SQUEEZE AND THAT CATTLE PRICES, WHILE

IMPROVED, ARE STILL SIGNIFICANTLY BELOW THOSE EARLIER IN 1970S.

6. KATZ EMPHASIZED THAT LEVEL OF US IMPORTS HAD BEEN DETERMINED BY PRESIDENT AS NOT TO EXCEED TRIGGER LEVEL OF 1233 MILLION MILLION POUNDS. ONLY ALTERNATIVE TO

ACCEPTANCE OF RESTRAINTS AT THIS LEVEL WAS QUOTAS AT APPROXIMATELY 10 PER CENT LOWER LEVEL.

7. KATZ REQUESTED NEW ZEALAND REPLY AS SOON AS POSSIBLE, SINCE IT WAS NECESSARY TO COMPLETE AGREEMENTS BEFORE NEXT IMPORT ESTIMATE DUE TO BE ISSUED BY USDA AT END OF MARCH. HOLDEN SAID HE WOULD REPORT GNZ REACTION AS SOON AS RECEIVED. KISSINGER

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**Draft Date:** 04 MAR 1976  
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